

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 042281

17

ORIGIN AGR-08

INFO OCT-01 EUR-12 IO-10 ISO-00 EB-07 STR-01 TRSE-00

AID-05 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

CIEP-01 SP-02 LAB-04 SIL-01 SAM-01 OMB-01 TAR-01 /066 R

66611

DRAFTED BY: USDA:FAS:TOB:KEHOWLAND:ML

APPROVED BY: EB:ORF:OFP:FPD:MPBOERNER

USDA:FAS:TOB/KIGER

FAS:MEEKER

FAS:JSTARKEY (DRAFT)

EB/TA:TO'HERRON

STATE-EB:ORF:OFP:FPD:RSSIMPSON

ERBEVIS/USDA

STR:HWILLIAMS

TREAS:MCHAVES

EB/STA:BBISHOP

----- 044694

R 252041Z FEB 75

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

INFO AMEMBASSY LONDON

AMEMBASSY DUBLIN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY COPENHAGEN

USMISSION GENEVA

AMCONSUL BREMEN

LIMITED OFFICIAL USE STATE 042281

E.O. 11652: NA

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 042281

TAGS: EAGR, ETRD, EEC

SUBJECT: EC EXPORT SUBSIDIES ON 1974 CROP TOBACCO

REF: EC BRUSSELS 01154, 01082

1. WE DO NOT INTEND TO FORMALLY RAISE ISSUE OF EXPORT SUBSIDY AT THIS TIME, BUT COMMISSION SHOULD BE AWARE THAT IF A LEGITIMATE PETITION IS FILED, TREASURY WOULD BE OBLIGATED TO INITIATE AN INVESTIGATION UNDER COUNTERVAILING DUTY LAW. SUBJECT OF EXPORT SUBSIDIZATION WILL LIKELY BE DISCUSSED IN MTN. IN POSSIBLE FUTURE DISCUSSIONS WITH COMMISSION YOU MAY POINT OUT THAT US IS OPPOSED IN GENERAL TO SUBSIDIZATION OF EXPORTS, AND WOULD VIEW WITH CONSIDERABLE CONCERN EC SUBSIDY ON EXPORTS TO US OF TYPES WHICH ARE GROWN IN US, I.E. FLUE-CURED, BURLEY, MARYLAND, FIRE-CURED AND DARK CIGAR TYPES. FOLLOWING (2-9) IS PROVIDED AS BACKGROUND - BEGIN FYI:

2. U.S. TOBACCO PRODUCERS ARE NOT EXPECTED TO PROTEST ORIENTAL SUBSIDY; NOR ARE U.S. CIGARETTE MANUFACTURERS WHO HAVE BEEN PAYING VERY HIGH PRICES FOR ORIENTAL FROM TRADITIONAL SUPPLIERS.

3. IT IS GENERALLY TREASURY DEPARTMENT POLICY TO AWAIT A LEGITIMATE PETITION BEFORE INITIATING AN INVESTIGATION REGARDING THE EXISTENCE OF A FOREIGN BOUNTY OR GRANT OFFERED TO GOODS SHIPPED TO THE UNITED STATES. IF, CONTRARY TO USDA EXPECTATIONS, SUCH A PETITION WERE FILED, TREASURY WOULD BE OBLIGATED BY LAW TO INITIATE AN INVESTIGATION AND MAKE A FINDING WHETHER THE EXPORT IS BENEFITING FROM COUNTERVAILABLE "BOUNTIES OR GRANTS." U.S. LAW PERMITS ANY PERSON, WHETHER OR NOT HAVING A DIRECT INTEREST IN THE TRADE, TO FILE LEGITIMATE PETITION ALLEGING THAT BOUNTY OR GRANT BEING PAID.

4. US DOES NOT PRODUCE ORIENTAL. SUBSIDIZED EXPORTS THEREFORE WOULD NOT COMPETE WITH TYPES PRODUCED IN US. ITALIAN ORIENTAL NOT LIKELY TO BECOME AVAILABLE IN SUFFICIENT QUANTITY TO INDUCE US CIGARETTE MANUFACTURERS TO INCREASE ORIENTAL LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 042281

COMPONENT OF BLENDS AT EXPENSE OF U.S. FLUE-CURED AND BURLEY.

5. ITALIAN ORIENTAL WILL COMPETE WITH IMPORTS FROM TRADITIONAL SUPPLIERS-TURKEY, GREECE AND YUGOSLAVIA. WE WOULD EXPECT ONE OR ALL OF THESE COUNTRIES TO RAISE ISSUE WITH EC IF ONLY ON "IN-FAMILY" BASIS.

6. WE QUESTION NEED FOR ORIENTAL SUBSIDY. PRICES FOR 1973

CROP GREEK AND TURKISH ORIENTAL WERE AT RECORD LEVELS. EVEN HIGHER PRICES ARE ANTICIPATED FOR 1974 CROP. WE WOULD HAVE THOUGH BUYERS PREMIUM AND WEAKENESS OF LIRA WOULD MAKE ITALIAN ORIENTAL VERY COMPETITIVE WITH LOWER GRADES OF GREEK AND TURKISH ORIENTAL, WITHOUT RESORTING TO EXPORT SUBSIDY.

7. AVAILABLE INFORMATION INDICATES DEMAND FOR ITALIAN ORIENTAL WAS SURPRISINGLY STRONG IN 1974. WE WOULD EXPECT THIS DEMAND TO CONTINUE IN 1975, EVEN WITHOUT EXPORT SUBSIDY.

8. U.S. IMPORTS (GENERAL) OF ITALIAN ORIENTAL WERE ABOUT 20 MILLION POUNDS IN 1974, A FOUR-FOLD INCREASE OVER 1973. (WE DO NOT KNOW HOW MUCH OF THIS MAY HAVE BEEN 1971 CROP ANTI-YAKA WHICH WAS ALSO ELIGIBLE FOR EXPORT SUBSIDY.) AVERAGE C.I.F. VALUE OF THESE IMPORTS WAS WELL BELOW VALUES OF IMPORTS FROM TRADITIONAL SUPPLIERS.

9. ITALY IN RECENT YEARS HAS BECOME GOOD MARKET FOR HIGH QUALITY U.S. FLUE-CURED AND BURLEY. U.S. EXPORTS AVERAGED DOLS 25 MILLION 1972-74. EXPORTS FOR 1974 WERE UP 37 PERCENT OVER 1973. ITALIAN MARKET HAS BEEN TRENDING RAPIDLY TOWARD AMERICAN-BLEND CIGARETTES AND AWAY FROM TRADITIONAL DARK CIGARETTES. THIS SHIFT COULD INDICATE ANTICIPATED FURTHER DROP IN ITALIAN MONOPOLY DEMAND FOR AROMATIC TOBACCO. END FYI

10. FOR ROME AND BONN. PLEASE REPORT, BY VARIETY AND CROP, QUANTITIES CURRENTLY OR LIKELY TO BE SURPLUS TO EC DEMAND AND THEREFORE AVAILABLE FOR EXPORT DURING 1975. INDICATE WHETHER HELD BY INTERVENTION AGENCY OR PRIVATE DEALERS. KISSINGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOBACCO, EXPORTS, SUBSIDIES, COUNTERVAILING DUTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE042281
Document Source: CORE
Document Unique ID: 00
Drafter: USDA:FAS:TOB:KEHOWLAND:ML
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750067-0394
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750214/aaaaamdr.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 01154, 75 01082
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by KelleyW0>; APPROVED <19 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC EXPORT SUBSIDIES ON 1974 CROP TOBACCO
TAGS: EAGR, ETRD, EEC
To: EC BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006